

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-02 PRS-01 USIA-15 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /117 W

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R 021111Z SEP 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1276

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 3677

DEPT PASS TREASURY AND FRB

GENEVA FOR MTN DELEGATION

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC DEVELOPMENTS: WEEK OF AUG 24-30

1. SUMMARY: DESPITE A BIT OF MID-WEEK SELLING PRESSURE
AS A RESULT OF A SMALLER THAN EXPECTED US TRADE SURPLUS
FOR JULY, THE DOLLAR STRENGTHENED SLIGHTLY THIS WEEK IN
GENERALLY QUIET TRADING. GOLD FELL BELOW \$160 FOR THE
FIRST TIME SINCE LAST OCTOBER. THE MONEY AND CAPITAL
MARKETS WERE VERY LIQUID AND INTEREST RATES CONTINUED
TO DECLINE. ECONOMIC INDICATORS AVAILABLE THIS WEEK INDICATE
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THE SWISS ECONOMY IS STILL IN THE GRIP OF ITS

WORST RECESSION SINCE WORLD WAR II.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: ALTHOUGH THE SMALLER THAN EXPECTED US TRADE SURPLUS FOR JULY PRODUCED A BIT OF DOWNWARD PRESSURE ON THE DOLLAR IN THE MIDDLE OF THE WEEK, THE ZURICH FOREIGN EXCHANGE MARKET WAS GENERALLY CALM ALL WEEK AND BY FRIDAY (AUG 29) THE SPOT DOLLAR CLOSED SLIGHTLY HIGHER THAN THE PREVIOUS MONDAY'S OPENING. DESPITE CONTINUED INTERVENTION BY THE SWISS NATIONAL BANK (SNB), THE SF CONTINUES TO BE VERY STRONG AGAINST THE DOLLAR. GOLD TRADING WAS QUIET AND PRICES DRIFTED BELOW THE \$160 MARK FOR THE FIRST TIME SINCE LAST OCT. RATES AS FOLLOWS:

	8/25 (OPEN)	8/29 (CLOSE)
SPOT DOLLAR	SF 2.6790	SF 2.6840
XIRWARD DISCOUNTS (PCT. P.A.)		
ONE MONTHS	- 5.2	- 5.2
3 MONTHS	- 5.0	- 5.3
6 MONTHS	- 4.4	- 4.8
SF/DM	SF 104.24	SF 103.91
GOLD	\$160.50	\$160.75

3. MONEY AND CAPITAL MARKETS: THE MONEY AND CAPITAL MARKETS CONTINUED TO BE VERY LIQUID AND THE CALL MONEY RATE WAS ONLY 0.25 PERCENT ALL WEEK. THIS IS EXCEPTIONALLY LOW FOR AN END-OF-MONTH PERIOD. PRICES WEAKED ON SWISS STOCK EXCHANGES AND THE SKA INDEX SLIPPED FROM 181.2 (END 1959 EQUALS 100) ON AUG 22 TO 180.6 ON AUG 29. ON AUG 27 THE MAJOR BANKS LOWERED THE INTEREST RATE ON THEIR MEDIUM TERM BONDS BY 0.5 PERCENT ON ALL MATURITIES. THE NEW RATES ARE AS FOLLOWS: 3-4 YEAR BONDS, 5.5 PERCENT; 5-6 YEAR BONDS, 6.0 PERCENT; AND 7-8 YEAR BONDS, 6.5 PERCENT. THE CONFEDERATION IS PREPARING A TWO-PART, SF 300 MILLION BOND ISSUE WHICH WILL BE OPEN FOR PUBLIC SUBSCRIPTION SEP 3-9. THE FIRST PART, FOR SF 150 MILLION, WILL HAVE A MATURITY OF 15 YEARS AND A COUPON OF 6.5 PERCENT. THE REMAINING SF 150 MILLION WILL BE ISSUED WITH AN 11 YEAR MATURITY AND A 6.25 PERCENT COUPON. THE MEDIAN UNCLASSIFIED

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YIELD ON OUTSTANDING CONFEDERATION BONDS DROPPED AGAIN FROM 6.23 PERCENT ON AUG 22 TO 6.18 PERCENT ON AUG 29.

ECONOMIC

4. INDICATORS: RETAIL SALES IN JUL WERE DOWN 2.8 PERCENT IN VALUE AND 8.5 PERCENT IN VOLUME, AS COMPARED WITH JUL 1974. IN THE SECOND QTR OF THIS YEAR, THE INDEX

OF PRODUCTION IN THE CHEMICAL INDUSTRY REGISTERED A DECLINE
OF 19.5 PERCENT FROM THE SAME PERIOD A YEAR EARLIER;
CHEMICAL EXPORTS IN THE FIRST SIX MONTHS OF 1975 WERE DOWN
14.4 PERCENT IN VALUE. IN THE FIRST HALF OF 1975, THE NUMBER
OF NIGHTS SPENT IN SWISS HOTELS BY FOREIGN TOURISTS FELL
2.1 PERCENT BELOW THE FIRST HALF OF 1974; THE NUMBER OF
TOURISTS FROM THE US WAS DOWN 11.2 PERCENT.
ODELL

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